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Offshore Business Process Outsourcing – Staying Competitive v Risk?

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Abstract
As the Information Systems Offshoring and Business Process Outsourcing (BPO) phenomena continue to grow and gain popularity, it is becoming increasingly evident that there is a need to consider a combination of the two, that is, Offshore BPO of IS Processes. This paper explores the factors that a multi-national organisation considered when it "offshored" its IS business processes to lower-cost destinations and focuses on determining the driving factors and challenges faced during the offshore sourcing project. A single, in-depth interpretive case study approach was used to explore this research topic. The results of this study show that the organisation under investigation was primarily driven to offshore its IS business processes in order to become more competitive in the marketplace. This was assisted by the organisation reducing its operational costs, and establishing a global presence in many lower-cost locations offshore. A substantive theoretical framework was developed, which illustrates the interrelationships that exist between these concepts.

Keywords: Outsourcing, Business Process Outsourcing, Offshoring, Grounded theory.

Introduction

Offshore sourcing denotes the handing over of "*responsibility for* [the] *management and delivery of information technology services"* to a vendor located in another country (Sabherwal, 1999; Pfannenstein and Tsai, 2004, pg.72). Offshore sourcing is not a new phenomenon; it has existed for the last two decades in many industries, particularly in the manufacturing industry, and more recently in the financial services industry. Despite being active for a number of years, offshore sourcing only gained momentum during Y2K when there was an abundance of capable professionals offshore, more "*than those available in the first world"* (Hirschheim, George, and Wong, 2004, pp.12-13; Dibbern, Goles, Hirschheim, and Jayatilaka, 2004, pg.13). Since then, the phenomenon has gained increasing popularity in many varied industries.

Business Process Outsourcing (BPO) is an additional outsourcing concept, which has developed in recent years. It is an outsourcing agreement "*where a third party provider is responsible for performing an entire business function for the client organization"* (Dibbern et. al., 2004, pg.11). BPO, like offshore sourcing, is a concept familiar to both the manufacturing and financial services industries. Business processes that have typically been outsourced are IS/IT enabled business processes and not the actual IS/IT business processes themselves, making it apparent that the commonality of offshore sourcing and BPO is that the business processes and services targeted for outsourcing are those that are supported by IS/IT (Willcocks, Hindle, Feeny, and Lacity, 2004).

In recent years, there has been a significant increase in the attention paid to BPO and offshore sourcing. However, the concept of offshore BPO has been given little consideration, in particular, there is little known literature on the offshoring of IS business processes. There is, however, some research that has been conducted into the offshoring of other business processes, for example, human resources services, finance and accounting services, and customer support functions, to name a few (Whinston, 2004). The offshoring of these business processes has typically been enabled by IS/IT (Hirschheim et. al., 2004, pg.23). The research reported here focuses specifically on the offshoring of IS business processes with the aim of providing an in-depth understanding of its drivers and motivations. Based on an intensive case study of IS business processes offshoring in a multi-national organisation – ComputerInc (a pseudonym, as are the names of staff), a leading supplier of IT, hardware, software and services – this study identifies both the drivers (expected benefits) and challenges of offshoring. The resulting substantive theoretical framework, grounded in empirical data, contributes to better understanding of the offshoring IS business processes which may aid organisations in their decision-making surrounding offshore sourcing. It is hoped that this framework will be employed in future research to develop a more general theory into offshore BPO.

Background

Outsourcing

The outsourcing phenomenon has today evolved from arrangements, which involve one client and one vendor where the vendor is responsible for providing all IS-related services to the client; to arrangements that involve multiple vendors and clients and encompass more complex tasks. Moreover, we now see "*significant partnerships and alliances… where client and vendor share risk and reward"* (Dibbern et. al., 2004, pg.8). Furthermore, outsourcing deals now entail *"value-based outsourcing, equity based outsourcing, eBusiness outsourcing, and business process outsourcing"* emphasising the evolution that has taken place in the outsourcing arena (Dibbern et. al., 2004, pg.8). Further highlighting this evolution, IS outsourcing used to typically focus on "*single-system contracts comprising a small portion of the IS budget*" and now IS outsourcing spans multiple systems and embodies the "*transfer of assets, leases, and staff to a vendor that assumes a profit and loss responsibility*" (Lacity and Hirschheim, 1993a, pg.74). Additionally, there are no signs that indicate that this growth in IS outsourcing will cease, in fact it is likely to continue well into the future (Willcocks et. al., 2004, pg.7).

Motivations for outsourcing include cost savings and strategic benefits (Martinsons, 1993; Sobol and Apte, 1995, pg.270; McLellan, Marcolin, and Beamish, 1995; Jurison, 1995; Costa and Beaumont, 2001; Quelin and Duhamel, 2003; Dibbern et. al., 2004; Hirschheim et. al., 2004; King and Malhotra, 2004). Other commonly recognised motivations include the ability to leverage the IS expertise of its vendors (Martinsons, 1993, pp. 19-20; Lacity and Hirschheim, 1993b, pg.13) and the ability to focus more attention on its core competencies, making the organisation more efficient and effective in its operations (Grover, Cheon, and Teng, 1996; Harris, Giunipero, and Holt, 1998). Challenges include the irreversibility of the outsourcing decision, loss of control, hidden costs, challenges associated with the vendor, and a loss of skills / knowledge / expertise (Lacity and Hirschheim, 1993b; Martinsons, 1993; Jurison, 1995; Earl, 1996; Lacity, Willcocks, Feeny, 1996; Apte, Sobol, Hanaoka, Shimada, Saarinen, Salmela, and Vepsalainen, 1997; King and Malhotra, 2000; Aubert, Rivard, and Patry, 2001; Quelin and Duhamel, 2003).

Offshore sourcing

Offshore sourcing, commonly known as offshoring, refers to the outsourcing of services to a third-party vendor in another country "*as well as offshore insourcing to an internal group within a global corporation*" (Carmel and Agarwal, 2002, pg.65). It thus does not necessarily mean 'outsourcing' in the typical sense of the word, because it does encompass a wide range of options, including offshore insourcing, joint venture/co-sourcing and outsourcing (Bhide, 2005, pg.39).

Offshoring grew in significance during the 1990s when organisations outsourced Y2K compliance work to offshore vendors (Pfannenstein and Tsai, 2004, pg.73). Since, the offshoring phenomenon has continued to grow as it offers companies several benefits, including significant cost savings and access to a larger supply of more sophisticated skills than those available onshore (Dibbern et. al., 2004, pg.90; Tas and Sunder, 2004, pg.51; Hirschheim et. al., 2004; Pfannenstein and Tsai, 2004). The term onshore refers to the location of the organisation from which the services are being sent. Typically, developed countries such as the United States of America, the United Kingdom, and even Australia offshore their services to lower-cost destinations, in more developing nations, such as India and China (Devata et. al., 2005, pg.102).

The growth of offshore sourcing has not diminished and does not look likely to. In 2003, offshore sourcing contracts made up a mere 1.4% of all total outsourcing contracts, however, in 2004 *"the value of offshore outsourcing contracts rose 890% from the previous year to $1.66 billion"* (Hirschheim et. al., 2004, pg.8). Furthermore, the literature identifies that this growth is set to continue, with offshore sourcing growing in both use and popularity (Pfannenstein and Tsai, 2004, pg.75).

There have been several factors that have enabled the move offshore to take place. The communications infrastructure available offshore has significantly improved and is being provided to organisations at a lower cost than is available onshore. Additionally, the availability of well-educated and talented staff in countries such as India and China provide companies with a large supply of vendors and significant costs savings of 30% - 50% (Tas and Sunder, 2004, pg.51). Moreover, the costs associated with coordinating the onshore client and the offshore vendor have significantly decreased, and there are technologies available to assist organisations in managing this relationship; which have also matured (Carmel and Agarwal, 2002, pg.66).

In summary, an organisation offshores its services to achieve cost reductions, have access to more sophisticated skills and labour markets, improve its operational performance, achieve flexibility and operating efficiency, and to gain a strategic advantage in the marketplace (Aron and Singh, 2005, pp.135-136; Dibbern et. al., 2004, pg.90; Gopal, Mukhopadhyay, and Krishnan, 2002, pg.193; Krishna, Sahay, and Walsham, 2004, pg.64; Tas and Sunder, 2004, pg.51; Pfannenstein and Tsai, 2004, pg.73). There are significant challenges too: privacy and security, hidden costs, a loss of control and talent, cultural differences, geographical distance, employee morale, and the political environment of the offshore location (Hirschheim et. al., 2004; Sobol and Apte, 1995; Kleim, 2004; Herbsleb and Moitra, 2001; Davison, 2004; Krishna et. al., 2004; Tafti, 2005; Gupta and Raval, 2000; Pfannenstein and Tsai, 2004).

Offshore Business Process Outsourcing (BPO)

BPO is an outsourcing agreement, which sees a vendor perform an entire business function for a client organisation (Dibbern et. al., 2004, pg.11). The premise behind BPO is to

outsource IT enabled, non-core, largely back-office processes to a vendor who has "*superior structural and human capital in the areas of business process and specific expertise*" (Willcocks et. al., 2004, pg.11). Business processes appropriate for offshoring are "*well-defined, self-contained, and measurable*", as well as being stable processes with little variance (Tas and Sunder, 2004, pg.51). The BPO market has experienced significant growth in recent years, as an example in the UK and Europe and it was estimated that revenues from BPO will rise to 72 billion Euros (from 43 billion Euros) during the period from 2002 to 2005 (Willcocks et. al., 2004, pg.7).

Offshore BPO is simply a BPO agreement with a vendor located in different country to that of the client (Dibbern et. al., 2004, pg.11). Offshore BPO has been "*made possible by the dramatic fall in telecommunications costs and the ability to transform paper-based activities into digital ones requiring only a telephone and a computer*" (Agarwal, Farrell and Remes, 2003). Although it is now common for business processes to be offshored to lower-cost destinations, the literature identifies that there has been little focus on the offshoring of IS business processes, such as SAP functions, Database Administration, as well as Problem and Change Management processes, for instance (Tas and Sunder, 2004, pg.51).

Motivations for such offshoring are of an economic nature. First, a drastic difference in salaries – for instance, US vs Indian annual salaries are graphically illustrated by Figure 1 – motivates organisations to undertake BPO offshoring. Secondly many organisations find offshore BPO a desirable solution to become more efficient, because it enables the offshoring of non-core business processes and thus lets the organisation focus on its core-competencies, thus facilitating the delivery of better products and services for its customers (Devata et. al., 2005, pg.103). It should also be noted that the offshoring of BPO assists organisations in making fixed costs variable, which gives the organisation greater flexibility in regards to the changing economy (Devata et. al., 2005, pg.102).

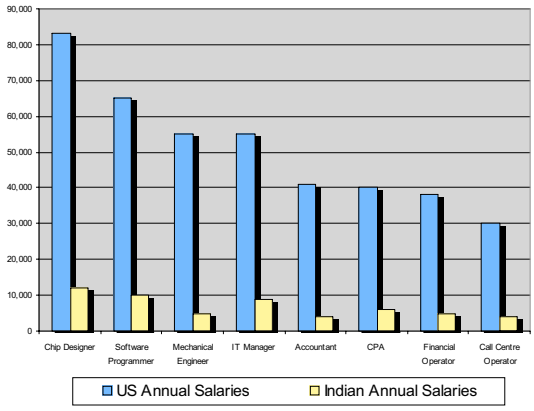

Figure 1: Comparison of US and Indian Wages
(Devata et. al., 2005, pg.103)

In addition to the challenges mentioned above an organisation looking to offshore its business processes is faced with extra problems, which are primarily focused on costs, as well as the loss of knowledge and expertise. Many organisations are in such a rush to partake in business process offshoring to remain on par with the competition, that these organisations do not

realise there are greater benefits than simply reducing costs, such as opportunities to improve the quality of the organisation's services. For the reason that reducing costs is often cited as the primary driver of offshore BPO, vendor organisations often focus on delivering a service for the clients at the lowest-possible rate, as opposed to providing the client with the most innovative and up-to-date solution, because the clients provide the vendor organisations with no incentive to do so. This can lead to challenges regarding a reduction in the quality of service, as well as additional costs for any amendments that need to be made (Devata et. al., 2005, pg.117).

Additionally, an organisation also risks losing its knowledge and expertise in the areas for which it has offshored business processes, because the vendor has assumed responsibility for providing those services (Willcocks et. al., 2004, pg.9). As with offshore sourcing, and IS outsourcing, this can prove troublesome when the organisation brings the business processes back onshore, and can prove detrimental to the future health of the organisation (Tafti, 2005, pg.556).

The evolution outlined above (in particular, as suggested by Hirschheim et al (2004), Dibbern et al (2004),Carmel and Agarwal (2002) and Tas and Sunder (2004)) of the outsourcing concepts as well as the motivations behind these concepts can be illustrated as in Figure 2, showing the movement from outsourcing to parallel development of offshore sourcing and BPO to the eventual offshoring of the IS business processes themselves.

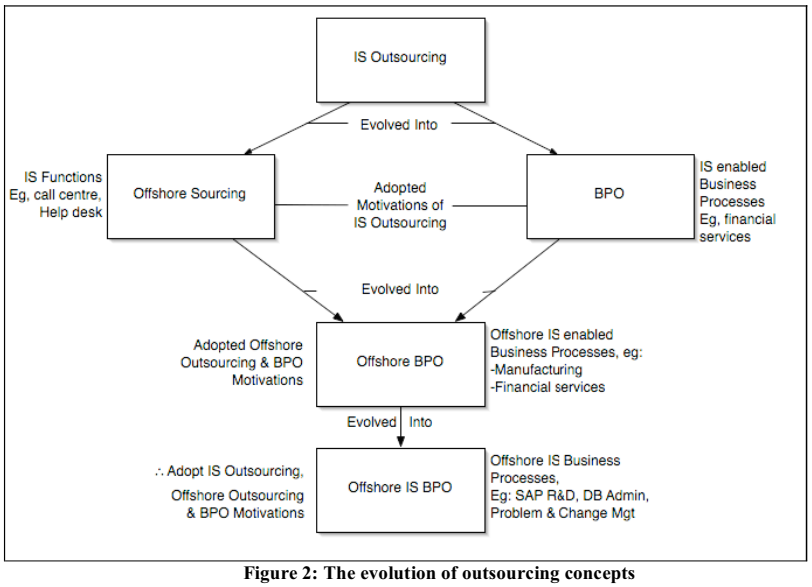

Figure 2: The evolution of outsourcing concepts

In particular processes of IS BPO offshoring are not well understood and there is no comprehensive list of challenges that an organisation will face. Both the paucity of research in this domain and the relevance of these issues for IS practice motivated the authors to examine:

1. What factors have driven a multi-national organisation to partake in the offshoring of its Information Systems business processes?
2. What factors challenged a multi-national organisation during the offshoring of its Information Systems business processes?

To answer these research questions the study focused on a case organisation as it began offshoring its IS business processes.

Research methodology

Case company ComputerInc employs over 300,000 people in over 70 countries worldwide, with clients ranging in size and vary across a number of industries. Our choice of ComputerInc was motivated by their recent decision to offshore their IS business processes to lower-cost destinations and the long term importance of this decision. One of the authors had a good fortune to be involved with ComputerInc and conduct an in-depth, intensive field study for 6 months (Feb-Aug 2006). At the time of the study ComputerInc was at a point of determining what IS business processes were suitable to be offshored.

The methodology adopted for this study was an interpretivist case study (Klein and Myers, 1999; Walsham, 1995). Data were collected from multiple sources, including semi-structured interviews, documentary materials, and direct observation. Using multiple sources of information provided the authors with different interpretations of the same phenomenon, addressing the problem of construct validity, which is inherent in the use of case studies (Yin, 2003; Benbasat, Goldstein and Mead 1987, pg.374). The use of multiple methods of data collection has ensured the production of a high quality case study (Yin, 2003, pg.99).

The semi-structured interviews conducted in ComputerInc lasted between half an hour and two hours. Collected documents, regarding the IS business process offshoring project were also examined as part of the research. These included spreadsheets, presentations and meeting minutes Most of these documents were confidential and available only on the premises of the company. The researcher in the field also made notes on events and impressions about the meetings and the people involved. The notes were useful in reconstructing the story afterwards.

The collection and analysis of empirical data were inspired and governed by grounded theory. While grounded theory is broadly understood as an approach to developing a theory from the data and be "*faithful to the evidence*", where *"the researcher compares unlike phenomena with a view toward learning similarities"* (Neuman, 2006, pg.60), the adoption of grounded theory as a method differs across studies. In this study grounded theory was adopted in line with the principles and analytic guidelines proposed by Strauss and Corbin (1990) and reinterpreted by Charmaz (2000). Theory development is grounded in data in a particular way: through the observation and interpretation of researchers engaged in lives of subjects studied. Namely, by interacting with the subjects and by analysing and comparing the collected data researchers develop understanding of subjects' actions and meanings, which evolve into further, more abstract conceptual categories and interpretations. By defining (and refining) categories and deriving relationships between them researchers develop a substantive theory of a particular phenomenon grounded in the data. As the research progresses, the researcher continuously interprets the collected data, which is then used to refine the proposed theory being developed (Charmaz, 2000, pg.509).

In this study the empirical data were gathered and analysed to identify patterns, themes and common categories. The coding process involved three stages, open, axial and selective

coding. Open coding included line-by-line examination and interpretation of texts (interviews and documents) during which interesting themes and ideas were identified and named (that is coded). Open coding enabled the authors to become familiar with the views of the research participants "*rather than assume that we share the same views and worlds"* (Charmaz, 2000, pg.515). In this stage codes were identified in close relation to the text and only later they had been compared, re-defined and re-structured. Furthermore, as the open codes began to accumulate, they were grouped and re-grouped under higher order categories (Strauss and Corbin, 1998, pg.113). To have a better overview of the open codes and how they can be interrelated a particular technique of graphical representation was used in this study. Each code and associated text are printed on colored paper (colors corresponding to different sources of texts) and arranged on a wall. Grouping and re-grouping of the codes on the wall provided a visual presentation and assisted in the sharing of ideas and discussion among researchers.

During the next stage, *axial coding,* categories were analysed and constantly compared in terms of properties and dimensions, thus enabling the researchers in exploring the relationships between categories and identifying their similarities and differences. Having the codes and categories arranged on the wall was even more useful in this stage as it allowed hypothesizing and exploration of different relationships among the categories. By moving and re-organising the codes and categories around the wall the discussion easily focused on their properties and dimensions thus enabling a grounded testing of axial codes, categories and their relationships. As categories and their relationships emerged, the empirical data were seen in a new way, with each step going further from the raw empirical data and towards a substantive theory (Strauss and Corbin, 1998; Blaikie, 2000).

This was followed by selective coding where the aim was to identify a central category or a main theme of the research. To assist in identifying a central category, writing of a storyline was practiced, which involved writing a few sentences about "*what seems to be going on"* (Strauss and Corbin, 1998, pg.148). This process was employed for each of the higher-order categories that surfaced during open and axial coding. From this, two central categories emerged. As a result, the authors were able to develop an understanding of how each of the higher-order categories were interrelated and how they related to the central categories. By identifying the central categories as well as the interrelationships existing between categories, the substantive theoretical framework was developed

Findings

As a result of the analysis, the following eight categories became apparent: *Become More Competitive, Reduce Costs, Challenges / Risks, Skills & Type of Work Available & Targeted, Establish a Global Capability, Location Choice, Research* and *Management's Decision.* Through the analysis of these categories and their interrelationships, the authors were able to understand why ComputerInc was driven to offshore its IS business processes to lower-cost destinations; and also understand the challenges that the organisation faced during the offshoring process.

The key finding relating to Research Question 1 was that ComputerInc was driven to offshore its IS business processes in order to become more competitive in the marketplace. Other key findings relating to research question 1 were that ComputerInc was also driven by reducing its operational costs and establishing a global capability. Although drivers themselves, these concepts enable ComputerInc to achieve its primary aim of becoming more competitive in the marketplace. Furthermore, there were a number of factors identified that had a significant

influence on these drivers. These were management's overriding decision to offshore the IS business processes, the skills and the type of work available in the offshore locations and the decisions surrounding the offshore location choice.

It is evident that central to the offshore sourcing project is ComputerInc's aim of becoming more competitive in the marketplace, that is, to hold the majority of the market share. In order to become more competitive, ComputerInc must remain competitive and further that by reducing its operational costs, expanding globally and improving the efficiency and effectiveness of its operations. The organisation identified that offshoring its IS business processes would enable the organisation to achieve this goal as is highlighted through the statements of the respondents provided below.

ComputerInc has historically been the leading and dominant force within its industry. As such, it is imperative that the organisation at least maintains this status to ensure its success; this has been recognised by many of the service managers, who identify that "*we need to be, as an organisation, competitive"* (Andrew, Service Manager) and "*we need to remain competitive in a very cost competitive business"* (David, Service Manager). Janet, Service Manager, further highlights this need as well as describing the reasons underlying it:

> *... the rest of the world is doing it* [offshoring] *so in order to remain competitive and be a leading force then you need to go down that path and I guess make it happen.*

Improving the efficiency and effectiveness of the organisation's operations, which entails establishing a global set of processes, tools, and standards for the global organisation, has also made it possible for ComputerInc to become more competitive in the marketplace for the reason that now there is only one way to operate and complete functions, the organisation has become more consistent, enabling the improvement and refinement its processes:

> *[I]f we can get it right and we get a global set of processes, then obviously we are going to be much more efficient and effective at what we do… and if we are more effective and we are more efficient, then that would mean we are more competitive in the marketplace*(Janet, Service Manager)

Reducing the operational costs of the organisation is not only a means to becoming more competitive, but it is also a key driver in itself, with all of the service managers identifying it as a core motivation for the organisation offshoring its IS business processes. For instance, Service Manager Peter went so far as to suggest that "*... the bottom line… is to reduce costs".* Furthermore, Craig, Project Owner, identified that this offshore sourcing project enables the organisation to be successful in that respect, that it "*allows us* [ComputerInc] *to reduce cost".*

For this particular project, the offshore locations that were chosen are India, China and a lower-cost destination in Australia. Craig highlights the importance of establishing this global capability and electing to offshore to growing markets:

> "*... where we see our strengths in the future, is supporting Shenzhen… China is very much a growing market, and the organisation needs to be able to demonstrate to the big businesses in China that from a service perspective that we have a capability in China"*

ComputerInc's executive management team were involved in making the highly essential decisions for this project. The reduction of the organisation's operational costs and becoming more competitive in the marketplace, came as a decree from the executive management team. Furthermore, Craig highlights that "*it's not just an Australian decision… competitors are doing it; it's a management decision, worldwide"*.

The skills that were being sourced and the skills that were available in the offshore locations have influenced the key drivers of the offshore sourcing project, directly influencing the organisation becoming more competitive and establishing a global capability. ComputerInc has moved many processes offshore that were identified by a number of characteristics; some of these characteristics include "*highly repetitive and standardised"* processes (Janet, Service Manager). However, the skills and the type of work targeted for offshoring directly influenced where the organisation was able to establish its global capabilities. These locations were dependent on many factors, including, where the growing markets were and what locations had the correct skill sets available.

ComputerInc decided on appropriate offshore locations based on a number of factors, one being the type of work these offshore locations specialised in and the skills they had available. ComputerInc's research identified that the chosen locations, India, China and the lower-cost onshore location in Australia are full of talented and educated resources, and these locations were advertising their skill sets to the world.

The key findings relating to Research Question 2 were that during the offshoring of its IS business processes, ComputerInc were faced with a number of challenges. Employee changes, impact and support onshore affected staff – it not only impacted the employees who lost their roles, but the team also felt the impact of the changes because "*... a lot of the team members are nervous about what it would mean for them"* (Andrew, Service Manager). Many of the remaining team members struggled with "*... the survivor syndrome, when they say, why wasn't it me? And they're constantly looking over their shoulders"* (Janet, Service Manager). Furthermore, the overall team morale was impacted, which has been very difficult for the service managers to control (Janet, Service Manager).

The geographic distance between the onshore and offshore locations, cultural barriers and connectivity and infrastructure were challenges too, in that relationship management became difficult, the language barrier was problematic and if the network connectivity in the offshore location failed, there was no mitigation technique or backup plan in place. As David, Service Manager, explains:

> "*…no I don't know of any other backup if we lose connectivity, the only thing is probably still having a number of people back in country to avert that"*

ComputerInc also faced difficulties in terms of security and privacy (some customers were reluctant to, or prohibited from, allowing data offshore), service delivery and reduced quality of service (there was the possibility that during the early stages of the offshoring project, there would be dissatisfied customers and that the quality of service would diminish), the social and political environments of the offshore locations (potentially less stable than might be the case in Australia) and the impact of offshoring on the customer (some degree of dissatisfaction was to be expected). The following factors were identified as having a significant influence on the above challenges: the unavailability of skills or the substandard skills available in the offshore locations, the research conducted during the pre-

implementation phases of the project, and the decisions made surrounding the offshore location choices, in that tasks were chosen to fit pre-determined locations.

Discussion and conclusion

A substantive theoretical framework emerged from the data collected, analysed and interpreted through interviews, observations and document analysis. While this substantive theoretical framework is grounded in the data it is also found to be well supported by the outsourcing and offshore BPO literature, which highlights its potential use in the development of a more general theory. Figure 3 below illustrates the substantive theoretical framework developed, using the following eight categories that emerged from the data: *Become More Competitive, Challenges / Risks, Reduce Costs, Establish a Global Capability, Skills & Work Targeted & Available, Location Choice, Management Decision,* and *Research*. Among them *Become More Competitive* and *Challenges / Risks* emerged as central categories.

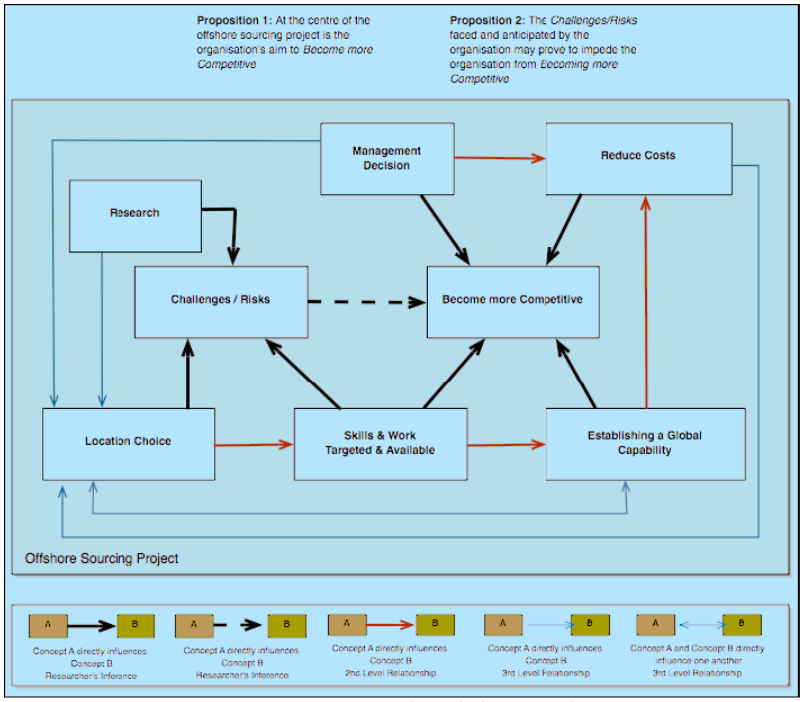

Figure 3: A Theoretical Framework

Central to the framework is the inferred relationship between the goal of becoming more competitive and the challenges and risks involved in doing so. Becoming more competitive is driven by managerial decisions taking into account a desire to reduce costs establish a wider global presence and the skills and work available. The challenges and risks are dependent on where the offshoring takes place, what needs to be done and the extent of research governing the decision.

The model demonstrates the relationships that exist between these categories. There are 4 types of relationships present in the framework – significant (heavy black arrow) illustrating the concepts that have a direct influence on either of the central categories *Become More Competitive* or *Challenges / Risks.*. The relationship between the central categories themselves – the impact of *Challenges / Risks* on *Become More Competitive* – is not directly observable from the data but is nevertheless inferred from the broader analysis and insight (indicated by the heavy dashed black arrow). The red arrows represent relationships between concepts where concept A has a direct relationship with concept B and concept B is related to either *Become More Competitive* or *Challenges / Risks*. Finally, the blue arrows illustrate the remaining relationships presented by the framework, which do not directly impact the central categories. As a result of the data analysis and the theoretical framework, two primary propositions are put forward.

Proposition 1: The central driver of the offshore sourcing project is for ComputerInc to *Become more Competitive*. This concept came as a directive from ComputerInc's executive management team, who additionally identified the organisation's need to reduce its operational costs. Becoming more competitive not only focuses on improving the competitive standing of ComputerInc but also looks at improving how efficient and effective it is with its operations. ComputerInc was able to achieve its goal of becoming more competitive, with the assistance of two factors, namely reducing its operational costs, and establishing a global capability, which are acknowledged as two of the main advantages of offshore sourcing (Sobol and Apte, 1995, pg.274). Reducing operational costs is one key advantage of offshoring, but another is the ability for organisations to develop and operate global information systems (Sobol and Apte, 1995, pg.271). Establishing capabilities in locations around the world provided ComputerInc with access to a highly skilled and readily available work force allowing the organisation to *"improve their ability to compete in their fast-paced domestic and international markets"* (Wilson, 2003, pg.102). Furthermore, the skills and the type of work that are available in the offshore locations further enabled ComputerInc to establish its global capability as well as become more competitive in the marketplace because *"having workers overseas in close proximity to a new pool of consumers can assist a company in expanding its global presence"* (Pfannenstein and Tsai, 2004, pg.74).

Proposition 2: *The Challenges / Risks* faced and anticipated by ComputerInc may prove to impede the organisation from *Becoming more Competitive*. This relationship is an inference made based on the data that emerged during analysis. Although there is no direct evidence in the data linking these concepts, the analysis of all the data and the observations made by the principal researcher indicated the existence of this relationship. Furthermore, the authors have identified this as one of the core note-worthy relationships present in the substantive theoretical framework presented. ComputerInc conducted a thorough analysis into the potential challenges the organisation might have been faced with, prior to partaking in this offshoring project, through in-depth market research and assessments of past experiences both within the organisation and externally. However, the organisation developed very few risk mitigation techniques and as a result, these challenges impeded its ability to become more competitive in the marketplace, that is, until these challenges were adequately managed. It is absolutely necessary for ComputerInc to act on the findings of the research it conducts, and to develop a series of techniques to assist the organisation in preventing, mitigating, and / or managing these challenges and risks, as is addressed by Hirschheim et. al. (2004) who stipulate, "*It is critical that an organization considering offshore outsourcing take the time to evaluate the challenges and study how other organizations have handled these challenges"*

(pg.22). Mitigating and/or managing these challenges and risks would have minimised the impact on the goal of becoming more competitive in the marketplace.

A significant contribution of this research is the complex relationship between the objectives and risk management. In this way, and with the development of the theoretical model depicting the inter-relationships, the study takes the prior research further. Offshore BPO is not a panacea. There are many variables involved and these will differ significantly from project to project. Organisations considering such action need to carefully evaluate the risks and their potential effects.

As a result of this study several areas for further study were identified. The impact of personal opinions and bias could prove to be an impediment to the success of such of an offshore sourcing project. A study of this impact could prove extremely valuable and make a significant contribution to the offshore sourcing field, to both theory and practice.

Additionally, there was very little questioning of the decisions made by the executive management team. The decisions were simply accepted as fact even though many of the people involved had first hand, on-the-ground experience with the roles being sent offshore. It may be that this could be the reason behind why a number of the employees did not fully comprehend the organisation's reasons for going offshore. The authors believe management gathering ideas from those directly involved would be an extremely interesting area for research.

Clearly it is difficult to make wide generalisations based on one case study, however the authors believe that the theoretical framework developed above provides a sound basis for the examination of such projects as it conceptualises the drivers associated with the offshore sourcing of IS business processes, as well as the challenges that are faced in such a situation, within the context of the ComputerInc case study. The theoretical framework proposed that becoming more competitive in the marketplace primarily drove ComputerInc to offshore its IS business processes, and in order to achieve this, the organisation reduced its operating costs, and established global capabilities. They hope that this substantive theoretical framework will be used as the basis for developing a more general theory in the future, in researching Offshoring of Business Process Outsourcing.

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